

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:536
ANSWERED ON:03.12.2004
REPO RATE HIKE BY RBI
Singh Shri Kirti Vardhan

Will the Minister of FINANCE be pleased to state:

- (a) whether Reserve Bank of India has hiked the Repo rate;
- (b) if so, the details thereof;
- (c) whether it is a fact that this hike will increase the home loan rates of various banks in the country;
- (d) if so, the details in this regard; and
- (e) the reasons for hike of the Repo rate by the RBI?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b): Yes, Sir. The Reserve Bank of India (RBI) has increased the repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 4.50% to 4.75% with effect from October 27, 2004.

(c) & (d): The lending rates by banks for loans above Rs. 2 lakhs have been deregulated, leaving it to banks to decide their own lending rates based on, amongst other factors, their risk perception of activity/borrower, cost of funds, availability of funds, etc. The repo facility under the LAF is essentially operated by RBI for appropriate adjustment of liquidity on a day-to-day basis. Among the banks having large shares of housing loan market, State Bank of India (SBI) and ICICI Bank have recently raised their housing loan rates by 25-75 basis points. SBI has increased its interest rates on home loans by 0.50 percentage point in respect of floating interest rate and 0.25 - 0.50 percentage point in respect of fixed interest rate loans with effect from November 29, 2004. ICICI Bank has raised its home loan rates by 0.75 percentage point for fixed rate loans and 0.50 percentage point for floating rate loans from November 16, 2004. In addition, HDFC raised its floating home loan rates by 0.50 percentage point on November 20, 2004 leaving the fixed rates unchanged.

(e): The repo rate was raised by RBI keeping in view the prevailing macro-economic and overall monetary conditions.